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Message Text

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ACTION EUR-25

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C O N F I D E N T I A L USNATO 4276

E.O. 11652: GDS
TAGS: EIND, MILI, NATO
SUBJECT: ECONADS: DEFENSE INDUSTRY AND TECHNOLOGY OF THE ALLIANCE

REF: USNATO 3762

SUMMARY. ECONOMIC DIRECTORATE WILL DISTRIBUTE DOCUMENT FOR ECONAD CONSIDERATION OUTLINING CONTRIBUTION ECONOMIC COMMITTEE COULD MAKE TO CNAD WORK ON DEFENSE INDUSTRY AND TECHNOLOGY OF THE ALLIANCE. DIRECTORATE HAS ALREADY PRODUCED PRELIMINARY STUDY OF THE AERONAUTICAL

INDUSTRY (ED/EC/74/55) AS AN EXAMPLE OF WORK THAT COULD BE UNDERTAKEN BY THE ECONOMIC COMMITTEE TO ASSIST IN HARMONIZATION AND DEVELOPMENT OF THE ARMAMENTS INDUSTRY WITHIN THE ALLIANCE. ACTION REQUESTED: WASINGTON COMMENTS AND GUIDANCE REGARDING ROLE OF ECONOMIC COMMITTEE AND PRELIMINARY STUDY ALREADY COMPLETED. END SUMMARY.

1. AT ECONOMIC COMMITTEE MEETING AUGUST 1, CHAIRMAN INTRODUCED ADDITIONAL AGENDA ITEM FOR EXCHANGE OF VIEWS ON ROLE OF THE ECONOMIC COMMITTEE IN THE FIELD OF COOPERATION IN THE PRODUCATION OF ARMAMENTS WITHIN THE ALLIANCE. HE RECALLED THAT ON JUNE 5 THE NAC APPROVED PARA 9 OF PO/74/75 WHICH INVITED THE ECONOMIC COMMITTEE TO STUDY THE PROBLEM OF ARMAMENTS PRODUCTION COOPERATION AND INDICATE WHAT CONFIDENTIAL

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CONTRIBUTION IT COULD MAKE. HE NOTED THAT THIS MANDATE FOR THE ECONOMIC COMMITTEE TO WORK IN COOPERATION WITH CNAD HAD BEEN REINFORCED BY THE DPC (PO/74/73(REVISED)) AND SUBSEQUENTLY, BY THE DEFENSE MINISTERS MEETING IN BRUSSELS JUNE 14. HE INVITED

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SUGGESTIONS FROM ECONADS TO ASSIST THE ECONOMIC DIRECTORATE IN DRAFTING A REPORT TO THE COUNCIL ON HOW THE ECONOMIC COMMITTEE COULD MAKE A USEFUL CONTRIBUTION.

2. FRENCH, FRG AND UK ECONADS ALL EXPRESSED RELUCTANCE IN ENDORSING ANY ACTION ON PART OF THE ECONOMIC COMMITTEE UNITL THE ADIT AD HOC GROUP HAS PROGRESSED FURTHER WITH REPLIES TO THE QUESTIONNAIRE ON R AND D IN THE FIELD OF TACTICAL MISSILES. THE ECONOMIC COMMITTEE COULD THEN BE CHARGED BY THE AD HOC GROUP WITH SOME SPECIFIC TASK REGARDING A PARTICULAR WEAPONS SYSTEM.

3. ECONOMIC DIRECTOR AGREED THAT FUNCTION OF COMMITTEE SHOULD BE TO PREPARE ECONOMIC CHAPTER FOR A CNAD DOCUMENT THROUGHT THE ADIT AD HOC GROUP CHANNEL, BUT HE STRESSED THAT IT INCUMBENT UPON ECONOMIC COMMITTEE TO OUTLINE IN ADVANCE WHAT CONTRIBUTION COULD BE MADE WHEN ALLIANCE MEMBERS CONSIDERING DEVELOPMENT OF NEW WEAPONS SYSTEMS, EQUIPMENT, ETC. ECONOMIC DIRECTOR SAID HIS PRELIMINARY THINKING WAS THAT COMMITTEE COULD ESTIMATE COST, MINIMUM PRODUCTION VOLUME THAT WOULD BE EFFICIENT, AND MARKET. ON BASIS THESE CALCULATIONS, COMMITTEE COULD THEN ESTIMATE CONSEQUENCES FOR EXPORTS RECEIPTS AND EMPLOYMENT FOR ANY GIVEN COUNTRY OR COMBINATION OF COUNTRIES. DESPITE RELUCTANCE EXPRESSED BY SOME ECONADS TO SUCH AN APPROACH, ECONOMIC DIRECTOR SAID HE WOULD PRODUCE AND DISTRIBUTE A DOCUMENT REFINING AND ELABORATING UPON THESE IDEAS FOR LATER CONSIDERATION BY THE COMMITTEE.

4. IN THE MEANTIME, AS NOTED IN REFTEL, ECONOMIC DIRECTORATE HAS PRODUCED A PRELIMINARY STUDY OF THE AERONAUTICAL INDUSTRY IN THE ATLANTIC ALLIANCE (ED/EC/74/55 OF JULY 1, 1974). MISSION CONSIDERS THIS STUDY A REASONABLE PRELIMINARY ANALYSIS OF THE PRESENT SITUATION IN THE AERONAUTICAL INDUSTRY AND OF THE OBSTACLES TO GREATER REATIONALIZATION AND EFFICIENCY(CORRIGENDUM FORTHCOMING ON PARAGRAPH 17). IT DOES NOT ATTEMPT, HOWEVER, TO PROPOSE ANY COURSE OF ANTIONAL OR ALLIANCE ACTION.

5. WASHINGTON COMMENTS AND GUIDANCE WOULD BE WELCOME.
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